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PROPOSED INTERNATIONAL CULTURAL AND TRADE CENTER ON THE FEDERAL TRIANGLE

HEARING

BEFORE THE

SUBCOMMITTEE ON WATER RESOURCES, TRANSPORTATION, AND INFRASTRUCTURE

OF THE

COMMITTEE ON ENVIRONMENT AND PUBLIC WORKS UNITED STATES SENATE

ONE HUNDREDTH CONGRESS

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PROPOSED INTERNATIONAL CULTURAL AND TRADE CENTER ON THE FEDERAL TRIANGLE

FRIDAY, MAY 1, 1987

U.S. SENATE,
COMMITTEE ON ENVIRONMENT AND PUBLIC WORKS,
SUBCOMMITTEE ON WATER RESOURCES,
TRANSPORTATION, AND INFRASTRUCTURE,
Washington, DC.

The subcommittee met at 10:35 a.m. in room SD-406, Dirksen Senate Office Building, Hon. Daniel Patrick Moynihan (chairman of the subcommittee) presiding.

Present: Senators Moynihan and Stafford.

OPENING STATEMENT OF HON. DANIEL PATRICK MOYNIHAN, U.S. SENATOR FROM THE STATE OF NEW YORK

Senator MOYNIHAN. A very good morning to our guests and our witnesses. This is a hearing of the Subcommittee on Water Resources, Transportation, and Infrastructure of the Committee on Environment and Public Works. I will note that it is not possible for all the members of our subcommittee to be here. Senator Stafford will probably be here, as we juggle our overcommitments at this time of the legislative season. Senator Symms also wants very much to be on hand.

This is a very happy occasion, and I hope we can keep it such. We are dealing here with some of the unfinished business of the Capitol.

Here is our distinguished Chairman. Good morning.

Senator STAFFORD. Good morning.

Senator MOYNIHAN. I said that you would be here presently, Mr. Chairman, and I was saying that we are going to have a fairly brisk and, I think, interesting hearing.

We are dealing with the some of the unfinished business of the United States Capitol. It is perhaps some business that will stay unfinished for a very, very long while. All of us here know about the history from the time Mr. L'Enfant was chosen to design this city and put in place something of a diagram of the Constitution with the Capitol here radiating out and going up to the White House and its connection with Pennsylvania Avenue, the connection and yet the separation.

Over the years, many things have happened to the city, and the plan never fully has been finished, but neither did anything ever happen to make it impossible to do.

In the 1920's, Mr. Mellon, then Secretary of the Treasury, commenced a great project of Federal building, called the Federal Triangle, and built some extraordinary buildings. And then for anybody who thinks the Americans are a compulsive people, we just stopped around 1929 or 1930, and all the great arts were left unfinished and buildings that were there that were not supposed to be there. Some were to our great advantage, like the Old Post Office. No one seemed the least troubled.

Then in 1961, President Kennedy resumed the effort to complete not just the Federal Triangle but to restore the viability of downtown Washington in an effort not just to produce a pretty place but as a very strong statement that this was a fact of government, that the Capitol must not be isolated while the city flowed out Connecticut Avenue or whatever the city's plan intended to do, and that the connecting thoroughfare between the White House and the Capitol had to be a place of consequence in our city, where things of consequence have happened.

After 26 years, we begin to see the effort. But no one has ever been able to solve the question of what to do with that last great remaining portion of the Federal Triangle, depending on your perspective, what we generally thought of as the parking lot behind the Labor Department, when I was a young man and first got to know Harry McPherson, our first witness. It was a place where Mr. Strauss managed to get himself a great fountain. You have to give him credit for that but not anybody much else.

We are now here with an extraordinary proposal to do something about just that. That is what we are going to hear testimony about today.

I will put my complete statement in the record.

[Senator Moynihan's statement follows:]

OPENING STATEMENT OF HON. DANIEL PATRICK MOYNIHAN, U.S. SENATOR FROM THE STATE OF NEW YORK

As Chairman of the Subcommittee on Water Resources, Transportation and Infrastructure which oversees the General Services Administration and public buildings policy, I am pleased to welcome you to this hearing on the proposed International Cultural and Trade Center on the Federal Triangle. The Federal City Council, a distinguished group of business and civic leaders from the Washington, D.C. area, has advanced this proposal.

I enthusiastically support a creative federal use of the land at 14th Street and Pennsylvania Avenue. This premier location along our more and more magnificent Pennsylvania Avenue cries out for more than a parking lot. Today we shall hear about an exciting proposal to transform this nine-acre site into a complex that would provide both federal office space and an international cultural and trade center.

As always we do well to carefully consider adding to our Capitol City. The Vistas Buildings of State, museums, parks, Potomac River—the natural and architectural environment of Washington, D.C. reflect our love of freedom and beauty and order—of democracy itself. George Washington and Thomas Jefferson knew they were shaping a republic when they put into the city plan of Washington almost a diagram of the Constitution—with grand, wide avenues connecting the Capitol and the White House. As L'Enfant wrote to Washington to express his vision of the Capitol:

"No nation perhaps had ever before the opportunity of deliberately deciding on the spot where the capital city should be fixed, or of combining every necessary consideration in the choice of situation."

It was Washington's genius to envision our Capitol in this then swampy locale, and to commission Pierre L'Enfant, a 36 year old engineer, architect, and native of France. Washington had known L'Enfant when the Frenchman served in the Corps

of Engineers during the Revolutionary War. L'Enfant was well acquainted with the magnificence of Versailles and of the plans of many great European cities.

Jefferson, too anonymously submitted a design for the White House, which was not chosen. (Both designs for the Capitol and the White House were invited by competition). But he never said a word—instead, Jefferson continued to contribute ideas to L'Enfant and Washington, based on his own wide travels and studies in city planning.

Through the years enlightened leaders have worked to protect and to restore the Capitol envisioned by the founders. Examples of their solicitude include:

Lincoln's decision during the Civil War to continue building the Capitol dome, affirming that Washington would remain the Capitol;

The American Institute of Architect's symposium on the Centennial of the Capital City in 1900, which featured a symposium on the aesthetic condition of the city;

Senator James McMillan of Michigan, Chairman of the Senate District Committee who sponsored legislation in 1901 that established a committee of experts to plan for the mall area. It included architects Daniel H. Burnham and Charles F. McKim; Frederick Law Olmsted, Jr., landscape architect, and Augustus Sain-Gaudens, the sculptor;

Congress' enactment of height limitations within the District of Columbia in 1910; and

Congress' creation of the Fine Arts Commission in 1920, the Public Buildings Commission and Board of Architectural Consultants in 1919, the Zoning Commission in 1920, and the National Capital Park and Planning Commission in 1924.

In 1962 it fell to me to write an architectural policy for the federal government. President Kennedy commissioned it. Presidents Johnson and Nixon followed through with the work of the Pennsylvania Avenue Development Corporation, and today we are reviving the splendor of that Avenue. Through the Cooperative Use Act, passed by this Committee, we have been able to encourage private and public partnerships such as the Old Post Office Building on Pennsylvania Avenue which preserve the best of the past while accommodating the needs of the present.

Of course I and my colleagues want to see the best possible use of this remaining piece of the Avenue. Not altogether successful experiences with the visitor's center at Union Station and with the Old Post Office Pavilion have made us wary. I will be asking more specific questions of witnesses as we progress, but I want to present my Primary concerns that need to be addressed in any enabling legislation.

We must have a design competition for this building to insure that it complements the surrounding buildings. Such a competition should review and where appropriate incorporate the recommendations of the Master Plan for the triangle done by Harry Weese and Associates for GSA in 1981. The massive size (two-thirds that of the Pentagon) and height of this building (10 stories compared to surrounding buildings, 7 stories) are troubling.

We must have adequate analysis and studies to determine that the federal government is receiving a fair bargain. This may indicate a development competition, too.

We need to determine that projected cost estimates are realistic. $362 million is not a small amount—no matter how financed.

We need to ascertain that we have firm commitments from tenants for the international trade and cultural component.

We need to select the right entity to build and then manage the center. Should it be a new non-profit corp or the existing and experienced Pennsylvania Avenue Development Corp (PADC)?

I look forward to hearing these issues addressed today from our witnesses.

Senator MOYNIHAN. Mr. Chairman, would you wish to make some remarks yourself?

OPENING STATEMENT OF HON. ROBERT T. STAFFORD, U.S. SENATOR FROM THE STATE OF VERMONT

Senator STAFFORD. Thank you, Mr. Chairman. I do have an opening statement and I would like to deliver it. It is quite brief.

I am glad we are here today to hear more about this interesting proposal to complete the Federal Triangle. Mr. Chairman, you and I have worked together on a number of public building issues throughout our service on this committee. We have often been an

ad hoc subcommittee to do that, and I look forward to working with you again on this one.

As we proceed with consideration of this creative concept, I hope we will fully address the important questions in order to assure that the public interest is protected as well as to assure that any completed project is successful, both financially and architecturally.

If we decide, for example, that now is the time to complete the Federal Triangle, is there an advantage to the government of combining an office building with an international trade center, other than to protect the developer from risk or otherwise to underwrite or to subsidize the center? If so, is there a demonstrated demand for this space by the international community?

This large, ten-acre site is one of the most valuable undeveloped pieces of real estate left in Washington. I am told that for some commercial purposes, land sells as high as $10,000 a square foot on Pennsylvania Avenue, which is a little higher than it goes for in Vermont, for example.

Senator MOYNIHAN. Which suggests the distorting effects of the marketplace.

Senator STAFFORD. Any partnership between the government and a private developer should, I suggest, fully reflect the value of the government's contribution of land. This site, that partially fronts on Washington's ceremonial avenue, also has great value that cannot be measured in monetary terms. It is important that any structure placed there reflect the symbolic importance of Pennsylvania Avenue and the architectural character of the historical monumental buildings around it.

Mr. Chairman, I know of no one who is more expert or more sensitive in these areas than are you.

Should we create a new permanent corporation to construct the complex and manage a trade center? Or might these functions be carried out by existing institutions? These and other questions should be, I suggest, fully addressed, and the hearing today provides the opportunity to commence to do that.

As we begin our consideration of this admittedly innovative project today, I am reminded of other equally creative proposals in the past, such as the National Visitors' Center at Union Station. I do not make this comparison to suggest that there is similarity but, instead, to raise the point that care be taken to answer serious questions and to carefully craft legislation in order to ensure that there will not be any similarity.

Mr. Chairman, I hope that the General Services Administration and others, both public and private, will work cooperatively with this committee as we proceed, and I believe from our past experience that they will. Thank you.

Senator MOYNIHAN. I thank you for your very generous remarks from a voice of experience.

For our first witnesses we are happy to welcome to this committee Mr. Harry C. McPherson who is president of the Federal City Council, and Mr. Donald Brown the chairman. Mr. McPherson is an eminent figure in matters of the Nation's capital, having served as secretary of the majority here in the Senate, having served as Assistant Secretary of State, counselor to the President of the

United States, and so many other things. He has found time in an extraordinarily complex legal career to devote himself to the Federal City Council whose concerns have meshed so much with this committee's.

When the efforts on Pennsylvania Avenue might have succumbed to a sense by one President that they really were an unnecessary legacy from a previous President, it was Harry C. McPherson who overcame those matters, and the enterprise that now a quarter century later begins to show itself continued. And here he is, still at it, and with his colleague, Mr. Brown.

Mr. McPherson, we know that you are here when you ought to be elsewhere, as is frequently the case when you are doing the work of the public. We welcome you and want you two gentlemen to proceed as you like.

STATEMENT OF HARRY McPHERSON, PRESIDENT, FEDERAL CITY COUNCIL

Mr. McPHERSON. Mr. Chairman, Senator Stafford, I take all your points very well, Senator. One of them is particularly poignant, and that is the Visitors' Center over here. The Federal City Council, of which I am currently the president, is very active in the reconstruction of Union Station and in the remaking of it. I think a great deal of what has been learned from the work on the station, rather painfully and expensively learned, will be of value to the Congress and to those in the GSA and others who are working on that program.

Senator Moynihan, I was thinking as you spoke of the unfinished Federal Triangle, of the Washington Monument, which of course remained a stump for very many years, until finally people got together and finished it off. There is this last piece of the puzzle down there in the Triangle that has remained undeveloped for a long time. I am sure an awful lot of people have cast covetous eyes on it. We think this is a creative and very useful solution for the use of that space.

Let me say first for the record, that the Federal City Council is a nonprofit, nonpartisan organization. It has been in being about 30 years. It is made up of about 150 business and professional and civic leaders in the city and financed by them.

We have been trying to help the city for some time play a more useful role, more effective role, in international trade, which is certainly a matter of the most intent interest to the Congress today, this very day, in fact. We began looking at the international trade center idea as one that might be put into reality in the southwest part of the city, over by L'Enfant Plaza. It ultimately seemed to us and to GSA—and you will hear much more from the Administration witnesses about this—that the site in the Triangle is the preferrred one.

It is our notion and our hope that the International Cultural and Trade Center, ICTC, can provide a number of benefits for the country and for the city.

First, the ICTC will be a one-stop center for American and foreign businessmen and others dealing with international trade matters. What we would hope would happen is that there would be in

this center the facilities, such as passport and visa and commercial information facilities, that would make it possible for somebody from Vermont or upstate New York, or wherever, who wanted to do business in Southeast Asia, in Africa, in Latin America, to come to the center and get a variety of information, both from his own government and, hopefully, from foreign governments, whose commercial attache offices and other trade-assisting offices would be present. He could get his passport renewed, his visas, and the information that would enable him to go and perhaps make hay abroad.

Second, I know the concern always is, when you put up a federal government building, that it is an invitation to create more Federal bureaucrats. There already are a lot of federal bureaucrats, and a great many of them are housed in privately-owned buildings which are going to cost a great deal more very shortly. Leases are running out, and costs are going to rise very dramatically.

This building would enable the government to bring a lot of those people, existing bureaurcrats, not new ones, people who are involved in international and trading activities, into a building that ultimately will be owned by the United States. It will be constructed originally, under our notion, by a corporation composed in part of government people and in part of private people that will own it for a period of perhaps 30 years.

Third, the trade objectives of this government, which certainly are as important as anything on the economic horizon at the moment, would be stimulated, not only practically but symbolically, by the development of something on the Federal Triangle that showed that Washington truly is a world city in every respect.

The Federal Triangle's completion, architecturally, is obviously something of great importance and particularly that it be done in a way that the ICTC is not only a federal office building but something that becomes an attraction for the millions of visitors who come here, use the city, and travel over to the Mall.

For all of these reasons, we are excited by the prospect of an International Cultural and Trade Center on the Triangle.

Let me ask Don Brown, who for the past several years has chaired our International Cultural and Trade Center Task Force and who is a developer of great success and renown in this city, to be more specific.

Senator MOYNIHAN. If I may welcome Mr. Brown and note that he has been a professor at Harvard Business School at one point, and you have overcome that.

Mr. BROWN. And the Yale School of Organization and Management, also.

Senator MOYNIHAN. Those are severe limitations, and to have risen to your present eminence despite those handicaps is a mark of character, sir.

We welcome you to this committee.

STATEMENT OF DONALD A. BROWN, CHAIRMAN, FEDERAL CITY COUNCIL, INTERNATIONAL CENTER TASK FORCE

Mr. BROWN. Thank you. We are going to try to be brief.

I do want to take a moment to describe the process by which we propose to develop the International Cultural and Trade Center on

the 10-acre Pennsylvania Avenue site that is already owned by the Federal Government.

The development and management of the center will be the responsibility of a nonprofit public corporation which would be created by the enactment of the enabling legislation. The corporation will be controlled by a 17-member board, that will include eight Federal officials who will serve by virtue of their position, the Mayor of the District of Columbia, six persons appointed by the President of the United States, and two persons appointed by the Mayor. The chairman of the corporation would be a presidential appointee.

Once the nonprofit corporation is established, we would take the following steps. First, the government would lease the Pennsylvania Avenue land to the corporation for a period of 30 years. Second, the corporation would prepare a request for proposals for the project, which request would include specific design guidelines.

Then the corporation would advertise the request for proposals and subsequently select a winning architect/development/financier team. The successful team would develop the center to specifications previously agreed to by the corporation and by the General Services Administration.

GSA will contract to lease the entire building. And on the strength of the GSA lease, the project will be privately financed at very advantageous rates.

Finally, at the expiration of the lease, the building will revert to ownership by the Federal Government at no cost to the government. So there really would be no need for the corporation to remain in existence beyond the 30-year period that it has the lease for the land.

Now let me quickly outline for the Subcommittee the mixed-use program and the physical dimensions of the proposed building. But it is important that I emphasize that what I am describing is based on the conceptual design work that has been accomplished so far; we are a long way from having a final design. It is important that we all understand that.

The preliminary plans call for an international center that provides for 2.2 million gross square feet of above-grade space on ten levels. There would be 150,000 square feet of below-grade program space, and there would be below-grade parking for between 1300 and 2500 automobiles.

The center's major components would include, first, Federal Government office space totaling 1.75 million gross square feet; foreign chancery office space that would total 150,000 square feet. The latter space would allow for the consolidation of a number of foreign government offices, such as press, education and trade missions, that presently are scattered throughout downtown Washington.

Also included is a world exposition center of 370,000 square feet which would house a permanent exhibit of the history and culture of many of the 140 accredited foreign governments and those of the 50 states that would choose to participate. There would be temporary exhibit space provided to accommodate special exhibits that embassies frequently schedule to coincide with diplomatic visits.

In addition, we are hopeful that the existing Departmental Auditorium will become more fully utilized, and we plan to have some new performing art space provided in the Center that could be used by groups sponsored by foreign governments.

Finally, there would be an international bazaar of 75,000 square feet which would include shops sponsored by foreign governments and devoted to specialty goods, manufactured products, furnishings and food.

In development parlance, we are always interested in the density of a site that is being developed. In most jurisdictions, including the District of Columbia, the ratio of the land to above-grade structures is called FAR, or floor area ratio. On Pennsylvania Avenue, the FAR is 10. That is, for every square foot of land, you can build 10 square feet of building.

The 2.2 million square feet of above-grade space proposed for the international center works out to a floor area ratio of less than five. That is one half of the density of the typical commercial building on Pennsylvania Avenue.

The height of a building is also of major concern in a historic location. The proposed height of this building is 120 feet, identical to the height of all other buildings in the Federal Triangle.

I want to leave the discussion of the urban design issues to our architects and to Mr. Brodie, but I do want to make one point at this time that I think is important. We believe that the exterior of the trade center should be in keeping with the architectural character of the Federal Triangle. However, we also believe that a great deal of flexibility should be given to the architect/developer team selected for the project with respect to the layout of the interior of the building and the choice of interior finishes.

On the outside, we think the trade center should read as a building that is in harmony with its neighbors. On the inside, it should have the qualities, including openness and open space, that we have come to associate with first-rate commercial buildings.

Thank you, Mr. Chairman, for giving the Federal City Council the opportunity to testify.

Senator MOYNIHAN. Thank you, Mr. Brown.

May I first make an observation, that I think Senator Stafford would share, that we have been, from time to time, an informal committee of two to ask: what do we get after 30 years of paying rent on all those boxes along K Street? And the answer is: receipts.

Mr. BROWN. I think I can answer that as well as anybody, Mr. Chairman. I develop office buildings in Washington. One that comes to mind is about a 250,000-square-foot building that I built 22 years ago and leased the entire building to the government for $4.30 a square foot for 10 years. After 10 years, they desired to lease it for another 10 years, and the price was then about $8.75 a square foot.

When that lease expired, the rent went to $25 a square foot; But we really did not want them any more, so we asked them if they would leave. And after paying $25 a square foot for a couple of years, they have finally vacated the building, which we will now lease for $35 a square foot.

Senator MOYNIHAN. If I only had thought of that.

If I could say to my esteemed senior colleague, I was speaking this morning to the Corps of Engineers. This is Law Day. They are down just across from the National Guard Memorial there. And they all came streaming out of this box, which they will be leaving in 2 years, at great advantage to themselves but none whatever to the government.

We have been asking ourselves about this policy that began in the 1960s, roughly, of renting as against building. This is an aside, but it is an important aside. We are reaching the point where our rental costs are now approaching $1 billion a year—$1 billion. For an institution that presumes to be around a while, it does not make a lot of sense.

Senator STAFFORD. Mr. Brown, do we own this building at the end of the 30 years? Is that part of the arrangement that you contemplate?

Mr. BROWN. Yes, sir. The Federal Government would continue to own the land for the 30 years. When the lease expires, then the building would become the property of the United States Government at no cost to the government.

Senator STAFFORD. That makes it more attractive. As the Chairman says, it has long appeared to me that we should at least have a lease with a right to purchase at the end or acquisition at the end of the leasehold if we want to exercise it. The best way would be, of course, had we the money, to build the buildings ourselves at the outset and own them.

You mentioned parking. When this building is built, the only downside I can think of for visitors to Washington is that one of the last of the major parking areas in that part of the city will no longer be a parking area. How many parking spaces will the building have if it is completed?

Mr. BROWN. There is an environmental impact study taking place right now. We are asking them specifically, as one of the most important issues, to make a recommendation regarding the optional number of parking spaces. We anticipate that there would be somewhere between 1,300 and 2,600 parking spaces. But it is directly abutting a Metro stop and a bus stop and directly in the middle of the city.

Senator MOYNIHAN. It is not that clear how many cars you want. If you had 2,600 parking spaces, that is as many as there are now, is it not?

Mr. BROWN. That is more than twice as many as there are there now.

Senator STAFFORD. I would think that is probably true. But I would wonder if most of those would not go to occupants of the building rather than to the public. This is not an obstacle to building it. I was just curious as to what the situation, which is always bad for out-of-town visitors to park their cars and even for us if we want to go downtown, might be.

I had a question for Mr. McPherson. In listening to you and your statement, it occurred to me that there is a world trade center building in Baltimore in the Inner Harbor, which you cannot avoid seeing if you get anywhere near the Inner Harbor, and we are about to have one built just south of the Wilson Bridge on the Maryland side, which is also billing itself as a 20-something-story

world trade center. Will that compete with building a world trade center in the middle of the city?

Mr. MCPHERSON. No, I do not think so, Senator Stafford, in that neither of those buildings would have the kind of government, both U.S. government and foreign government, offices in them performing those functions: visa, passport, commercial, attaché functions, that sort of thing.

Senator STAFFORD. I would not have any qualms about competing with Baltimore, anyway, but I would not want us to be in a position of competing with ourselves here in this metropolitan area. Thank you.

Senator MOYNIHAN. Could I ask an obvious point but I think an important one? This area is immediately adjoining the Commerce Department, where you already have the greater portion of international trade activities and responsibilities. They are right there in that building.

Mr. MCPHERSON. That is right.

Senator MOYNIHAN. And they have made some efforts at street-level displays, not very successful, on Pennsylvania Avenue. So international trade to the degree it has a departmental center, it is the Department of Commerce, which is immediately across the street from this site.

I would like to say to Mr. Brown that I appreciate your mentioning, and I know Senator Stafford does, the Departmental Auditorium. Whatever else we do, we will never again build something that grand. And it is empty. In the vocabulary of show business, it is dark three-quarters of the time, I should think. If you can bring that in, that is a real freebie in this arrangement.

I guess our question now is to GSA. We will need to know whether they think this is a good idea and whether the government needs this space. At the moment I would like to say that everything you have said is exceptionally persuasive to this member of the committee, and we are very much in your debt for doing this entirely pro bono. You are doing it because you care about the city.

Maybe Senator Warner wanted to be here because he has some relationship with Andrew Mellon and he would like to see his legacy finally completed. If I might say to Senator Stafford, it is extremely valuable space, but to my knowledge, nobody has come up with a proposal for it in 25 years. It just sits there as a parking lot.

We are very much in your debt, gentlemen, and in debt of the Federal City Council. We thank you both most sincerely, and we will be in touch.

Mr. MCPHERSON. Mr. Chairman, we are lucky that we have you two here, because you have been so identified with the renovation of the Pennsylvania Avenue area which, when you came to Washington and I did, was pretty dreadful looking. When the President of the United States got inaugurated up here and went down to the White House, he passed some pretty dreadful-looking real estate on the right-hand side, which is looking better and better, save for the FBI Building.

But it is a fine job, and you have been absolutely key to it all along with a unique combination of interests in the public good and in esthetic beauty.

Senator Stafford, I think and hope that this proposal will appeal to you. I regard you as a member of the Senate who forever has had a flexibility and openness to new and useful ideas. I think this is one, and I hope it can be shaped in a way that will meet your own concerns.

Senator STAFFORD. Thank you. I think maybe it can be. As I think of my friend, the Chairman, in view of his responsibility in the past and the present, if we like the result, we will give him the credit, and if we do not, we know who to blame.

Senator MOYNIHAN. That was the thought of the Visitors 'Center.

Thank you, gentlemen, so very much.

Now to the next witness, the Honorable Terence Golden, who is the Administrator of the General Serviees Administration. Mr. Golden, we welcome you to this committee, as always. Can we hear your thoughts on this subject?

STATEMENT OF HON. TERENCE C. GOLDEN, ADMINISTRATOR, GENERAL SERVICES ADMINISTRATION

Mr. GOLDEN. That will be fine. Thank you, Mr. Chairman, Senator Stafford for the honor of being here.

I would like to say outright that the Administration is in total support of this project. I would also like to point out that it has broad-based support within the Administration. It is supported by the General Services Administration, the Department of State, the Office of Management and Budget, Treasury, Department of Justice, Commerce, and the Office of the Trade Representative.

I think the reason for the broad-based support can be briefly summarized as follows. First, it provides very economical space for our federal work force. We estimate the 30-year present value of the savings of this project to be in excess of $200 million.

We have to recognize, as you have pointed out, the fact that in the National Capitol Region, where the Federal Government occupies in total about 65 million square feet, in excess of 30 million square feet of that space is leased space. So we are, as Mr. Brown pointed out, continuing to pay increased rent costs. I think we have learned our lesson after the last 20 years.

We are also embarking on a program to make government more efficient and more effective. A major element of that program is consolidating our major Federal agencies. A little known fact, but a major problem that GSA has to live with every day, is the fact that the 13 major Cabinet departments in Washington, D.C. are located in 442 separate locations, which means a tremendous loss of efficiency and tremendous problems in terms of their normal day-to-day operations. We have buses transporting government workers all over town.

Many of the agencies are experiencing increased costs as a result of paying for the buses and having additional personnel lists support, and procurement people. An important part is the a lack of efficiency by not having everybody together where they can work cooperatively with one another.

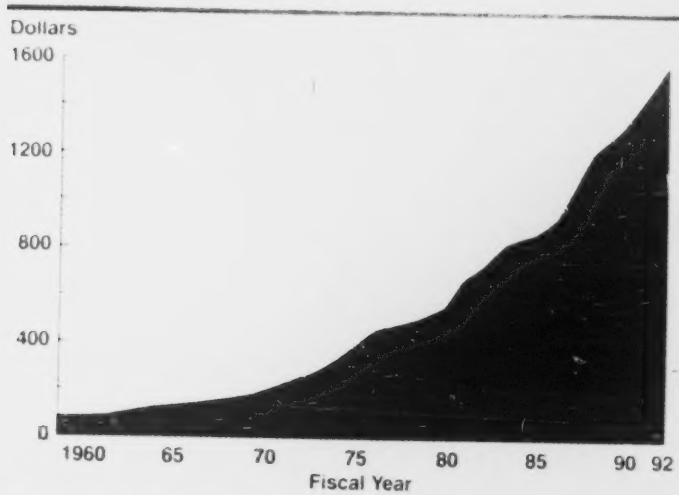
A recent example of a consolidation is one we had within the Department of Commerce, the National Oceanic and Atmospheric Administration. We just have acquired some buildings to consolidate

them. They estimate for that bureau within Commerce alone that they can save approximately $7 million per year in their own operating costs by being more efficient.

We have, in addition to that, some major benefits as far as trade is concerned and furthering our own trade interests, but I will wait and let the Department of State and the Department of Commerce discuss those issues.

What I would like to discuss is the basic bread-and-butter issues as far as the cost to GSA is concerned. I think, as you can see on this chart, one of the biggest challenges facing GSA is dealing with our exploding rental budget. I would like to point out that approximately 50 percent of our Federal workers, nationwide are in leased space today. That is despite the fact, as you indicate, that the Federal Government is not going away. We have a stable, long-term need for space, and yet we are meeting that need, much of it, through renting space.

Rental of Space Budget
FY 1960-1992
($ in Millions)



Note: FY 1988-1992 are estimates.
Assumes no change in inventory

Mr. GOLDEN. The problem really began in the late 1960s and the early 1970s, when the government faced the exploding costs of the Vietnam war as well as a rising level of commitment and expenditures in the social areas. Rather than meeting the expanding growth of government through construction, leasing was adopted as a way to keep the full cost of owning buildings off budget.

The real source of this practice was strictly from a budgetary point of view. When you committed to a building and you leased it for a period of, let's say, five years, it was only one-fifth of the cost, the first year's lease, that actually appeared in the budget.

So I think from a budgetary point of view, we have been driven to decisions with the Federal Government that do not make economic sense from our perspective.

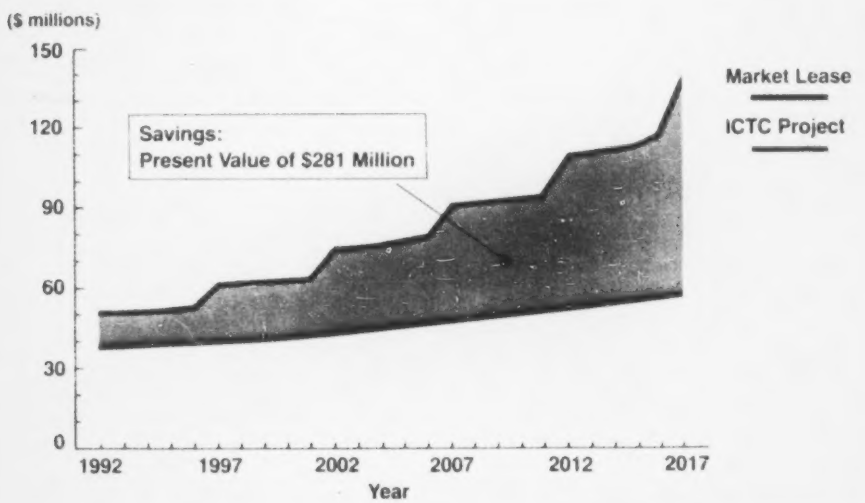
The problem that we face today within GSA is the fact that those leases are up for renewal. In the next 5 years, 75 percent of the space that we lease will be up for renewal. Within the next 10-year period, 95 percent of that space is up for renewal.

I will give you an example: the EPA building here where we have a headquarters function. We are currently paying about $6.50 a foot for something close to 1 million square feet. When we release that space, I would estimate that that cost would be $30 a square foot.

So we have a tremendous growth from many of these leases that are 20 years old that are now up for renewal. Clearly, as you can see from this chart, they are going to exceed inflation, they are going to exceed Gramm-Rudman-Hollings, and they are causing us a problem that we need to contend with.

As far as the ICTC building is concerned, we estimate savings, as I indicated earlier, of about $281 million. I think you can see this chart really exemplifies what we are talking about. Basically, once the building is built, the majority of our costs, except for operating costs—and that is heat and electricity and the like—is fixed for a 30-year period. So we have suddenly gotten ourselves in a position of stabilizing our costs.

ICTC Federal Office Space Total Cash Flow



Mr. GOLDEN. It is particular important in this particular location because a substantial part of the cost of the building—that is the land itself, that high price that we mentioned earlier—is something we already have on hand. So what we will be paying in terms of our rent costs is the incremental costs of the actual construction of the building, paid out at cost over a 30-year period.

Compared to that—and I think you can see the top part of the chart—the red line there represents what we think a reasonable estimate might be of what our equivalent rental costs would be. That is basically assuming a very conservative rate of rent today being escalated at a rate of 4 percent per year. So from a direct point of view, based upon out-of-pocket expenses for the Federal Government, there is a significant savings.

I might also add that the construction of this building gives us several other opportunities, one of the most important of which is to relocate and to reconfigure the space for each of the Federal agencies that move in. We have a program, as you know, under way in government to get down to 135 square feet per person.

It is our sense, for the agencies that we are moving in there, that we can achieve a substantial reduction in square footage. Our estimates are that by moving these agencies into new space, approximately 200,000 square feet of space in aggregate can be saved. And that, in addition to the savings I have identified earlier, amounts to about $60 million over a 30-year basis on a net present value. So there is some savings beyond that, that I see.

I would also like to point out that the current approach suggested is one where we will, in fact, show savings and where there will not be a negative impact on the deficit over the short run. So this project from an overall economic point of view has a number of advantages as far as the Federal Government is concerned.

As it relates to our housing plan, this is basically what we have worked out with the agencies involved. We will have for the Federal Government about 1.4 million square feet in the building. One of the primary tenants will be the Department of Justice.

The Department of Justice will occupy some 850,000 square feet. The divisions that are going to be included are their Civil Rights Division, their Lands Division, their Civil Litigations Division, their Tax Division, and also the management operations for Justice itself.

Housing Plan

Agency	Sq. Ft. (000)
Justice	850
Securities and Exchange Commission	260
Treasury	120
State	100
Support	70
Total	1,400

Note: Reflects 1996 Plan. Customs Will Occupy Facility for Period 1993-96.

Senator MOYNIHAN. Could I interrupt, sir, so I am clear on this point? This is an International Trade and Cultural Center, also an office building, and you now have a need for Federal office space, which you are going to rent somewhere or find somewhere, and you would like to locate it here.

Mr. GOLDEN. Very definitely. These are obviously the central core of the Department of Justice's operations. They are currently scattered.

Senator MOYNIHAN. And Justice, of course, is two blocks down in the same complex.

Mr. GOLDEN. That is correct, they are in the Federal Triangle.

What this accomplishes is moving the basic operations of the Department of Justice, which are in scattered locations right now—and we will provide more information on that in a minute—into a consolidated point where they can operate. So it is not a growth in government.

Senator MOYNIHAN. At a lower per-person square footage of 135.

Mr. GOLDEN. That is correct.

Senator MOYNIHAN. These operations are in being, and you have to house them.

Mr. GOLDEN. That is correct.

Senator MOYNIHAN. And you are now housing them in rented space, and you would like to move them into this space.

Mr. GOLDEN. That is correct. And I think from an overall operating point of view, it is clear that the logical location for them is to be in the Federal Triangle. With the courts there, the tremendous activity they have representing the rest of the Federal Government, other departments, it is only logical that they be where they are.

The benefit, obviously from their point of view, is that we can consolidate them. In the case of the Department of Justice, the estimated savings of 200,000 square feet does not represent their getting ultimately to 135 square feet per person. It represents about a 15 percent reduction in their space utilization efficiencies overall.

We also would include elements of the Department of Treasury. As far as the Department of Treasury is concerned, the IRS, Customs, and Alcohol, Tobacco and Firearms are a number of elements of Treasury already in the Federal Triangle. So this project enables them to further consolidate their efforts. As far as State is concerned, their passport offices would be included there, and then there would be some support activities as well.

This is the ultimate plan. Over the short term, once the building is constructed, we would intend to keep some space available as swing space, because we have a major issue to deal with and that is the renovation of the balance of the Federal Triangle itself. We will have to move some people who are existing users of the balance of the Federal Triangle into this space as we renovate parts of the Federal Triangle, and then ultimately, this will be the housing plan that will be achieved.

Finally, I guess we talked about the issue of consolidations. This is another one of our major objectives: that is to consolidate the Federal Government. As you can see, this is a listing just within the downtown area of Washington, D.C. alone. This does not include their involvements in outlying areas but the number of buildings that each of these major departments are currently in.

Consolidations Planned

	Current Buildings	Proposed Locations
Treasury	38	4
Justice	26	3
State	16	3

Mr. GOLDEN. As a result of this plan and several other things that we are going to do, we will be reducing the Department of Treasury from some 38 separate locations to four locations. Within the Department of Justice, which is now in 26 locations, they will be reduced to three locations. I might add that within Justice, the Drug Enforcement Agency and Marshals Service will not be included in this. They will, in fact, be going to a suburban campus environment.

Then finally, within the State Department, as a result of this action and several other actions which we will be announcing

shortly, they will be reduced from 16 separate locations to three locations.

A major improvement in the operations of the agencies, which I really have not identified in terms of cost savings but one that is clearly there, is their improved operations by having everybody close at hand and under good supervision. I think that is something that has to be emphasized.

I would also say from the point of view of the General Services Administration, in terms of our own operating budget we are spending a tremendous amount of time in moving people around from lease location to lease location. Every one of those scattered locations is an involvement on our part in arranging the lease, monitoring the lease, arranging cleaning and all the other activities. With the great number that we have, you can imagine the turnover that exists. We can dramatically improve our own operating efficiencies by getting agencies concentrated into fewer locations and more effectively housed.

I personally think that the taxpayer is going to benefit in the long-term by having a stabilized cost of these facilities and by moving them into what I would describe as being first-class facilities. That means good heating and air conditioning and facilities where we have a systems environment—good quality work spaces that are efficient with the latest technology in terms of local area network and telecommunications.

It gives us the opportunity to provide the federal worker with a productive work environment where he or she can be most efficient. Thank you.

Senator MOYNIHAN. That is extraordinary. Sir, I wonder if your colleague could put that last chart up. That would really be an achievement: to get the Department of State from 16 locations down to three, to get Treasury from 38 to four, Justice from 26 to three. That is something a person would want to see. If you had that on your tombstone, you would have done something.

Mr. GOLDEN. GSA might get me under the tombstone faster than I think.

Senator MOYNIHAN. I think that is extremely impressive.

Senator Stafford?

Senator STAFFORD. Thanks, Mr. Chairman.

Mr. Golden, as contemplated, this will be the second largest office building in this area, will it not?

Mr. GOLDEN. Yes, it will.

Senator STAFFORD. Second only to the Pentagon, and I guess, therefore, one of the largest office buildings in this country or anywhere in the world.

How much of that total footage will be used by the Federal Government under GSA and how much of it will be allocated to the international trade?

Mr. GOLDEN. Approximately 75 percent of the building will be used by the Federal Government as direct office space. There is an additional 500,000 square feet for the international cultural and trade center, some of which is going to be involved with the operations of the government indirectly.

I would point out, though, that in terms of our overall abilities, the international trade center component is going to be paying its

own way. One of the benefits that we see out of this is that the requirement as far as the international trade center is concerned is to pay rent equal to the greater of costs or market value. So over time, as market values increase in the area, in fact the international trade component will be paying those higher values.

The difference between the costs and the higher value that we will receive from the international trade center component will help offset our costs in the other areas. So we hope that the international trade component will be a successful one, because the more successful they are in the long run, the lower will be our costs as far as the Federal Government is concerned.

I might also add there is what I would describe as being a safety net. Many people are concerned about whether the international trade component going to work. From our perspective, if the international trade center has for any reason difficulties in achieving and paying for its share of the costs, we can readily use the balance of that space for Federal space. So there is a safety net under this program. Anyone who is concerned that the building is not going to be fully utilized need only look to GSA, because we have a need for the space.

Senator STAFFORD. Let me ask you this, then. I notice there are some empty buildings around this area that are brand new. I go by one building off Shirley Highway, just west of it, twice a day. I take it, generally, though, the market for office space is tighter here than it is in, say, Denver or Houston or someplace like that.

Mr. GOLDEN. I would say probably in the United States that Washington, D.C. is the number one office market in terms of performance and the like. The difficulty we have, particularly in Washington, D.C. right now, is the need for space in the downtown area. I do not think anything could be tighter than that, particularly in view of this area.

I will give you a good example. We had just recently a lease with the Federal Trade Commission where they had, in addition to their building which is part of the Federal Trade Center, a need for I believe it was about 100,000 additional square feet. It cost us $35 a square foot for that space. That $35 was only for a period of five years, because if we wanted it beyond the five-year period, they could not hold that rate. We basically deferred a problem for five years by dealing with it in that manner.

So we have a very tight office market here in the downtown Washington area.

Senator STAFFORD. Finally, for my own information and understanding, have the architect, the builder, the developer been selected yet?

Mr. GOLDEN. No, they have not. What we would intend happening would be basically what I describe from Texas as a chili cookoff. That is to have a number of architect/ contractor teams in essence submit proposals that include both the architecture and cost of constructing it, in that there would be a bid in which we evaluate it both from a quality point of view and a cost point of view. From those alternatives, we would select the best one in terms of value for the Federal Government. So it is going to be a competitive process throughout.

Senator STAFFORD. I have to go to the Committee on Labor and Human Resources. I am impressed with what all of you have presented here this morning. Speaking of chili cookoffs, though, I was a participant in one of those recently and I hope the result here causes less indigestion.

Senator MOYNIHAN. I have two questions for you, Mr. Golden. What would you say would be the time it would take to build this enterprise?

Mr. GOLDEN. I think we are talking about, once the design is awarded, probably a period of two and a half to three years for the complete construction.

Senator MOYNIHAN. And the design might take a year?

Mr. GOLDEN. It might take a year to 18 months.

Senator MOYNIHAN. So we have a four-to-five-year project. That is what you are already thinking of when you are setting leases for 4 to 5 years.

Mr. GOLDEN. That is correct.

Senator MOYNIHAN. I want to ask you, there is not now any such arrangement in the Federal Government, is there, for a quasi-public, quasi-private corporation to be formed? It would issue bonds, I suppose, or borrow money somehow and build and then revert.

Mr. GOLDEN. You might say the Pennsylvania Avenue Development Corporation is a good example of an institution that has had its own separate ability to finance and has had assignments like this in the past. I think the results along Pennsylvania Avenue are evidence of their abilities.

We are also under way right now and making good progress, with similar projects. I will cite one example. That is with the city of Miami which is doing something very similar with GSA. We had a desperate need in Miami for a court building principally because of the tremendous amount of drug cases that were being heard by the federal courts in Miami. We also had a very dire circumstance in the sense that we had U.S. attorneys, many of whom were operating up until 10:00 or 10:30 at night in the court building, having to walk some seven blocks through a very difficult neighborhood to get back to their leased space.

What we have entered into is an understanding with the city of Miami—and we are getting the work done now—where in fact they are going to build us a federal court building in Miami, arrange for the financing of it, and lease it to us for a period of 30 years at cost, and then the building would revert back to us.

So we are under way with this program more than just with this Federal Triangle building.

Senator MOYNIHAN. And you are confident this management arrangement can work.

Mr. GOLDEN. Yes, sir.

Senator MOYNIHAN. You have so testified that half a century ago we set out to build an office building here for the Federal Government and we just never got around to it. This is not some new plan. If Andrew Mellon thought it was a good idea, it had to be a good idea.

Mr. GOLDEN. My only regret is that we did not build it 30 years ago, because we would have paid for it three or four times and we have paid for it three or four times by leasing space in D.C.

Senator MOYNIHAN. It is an overwhelmingly persuasive presentation, sir, and a very refreshing one. You need not be told how welcome your advent in the GSA has been by this committee, at least, and I hope by your contemporaries.

I have to ask you: the Jamaica Social Security Administration building that has been 8 years abuilding, what are the prospects?

Mr. GOLDEN. This definitely will take me out of the clouds.

In Jamaica, I have to say, as we have identified to you before, that we are having some serious problems with the contractor on that particular job. The work now is about 68 percent complete. We have started the roof. The elevators are being installed. The windows are up through the fourth floor. And the power installation is beginning.

I am pleased to report since the last time that we have talked that the contractor has increased the staff on the job from about 160 people to about 220 people, so we are seeing more activity, more trades on the job.

My sense, though, is that to get this job done and prosecute the work we need to, we need to have about 300 people. So we are continuing to work with him to increase his staffing and to do a better job of coordinating the various subcontractors on the particular job.

The contractor estimates that he will be completed with the job in June of 1988. It is our estimate that the job could be completed by January if they worked harder at it and were better coordinated. We are in discussions now as to what we can do.

Senator MOYNIHAN. You were not there at the beginning.

Mr. GOLDEN. No, I was not. But I would say that I am there now. I visit this particular job and walk the job at least once a month. We have a regional administrator who is now on the job once a week, walking the job with the contractor. And we have a team of experts from our Washington construction operations that are there, and we have greatly enhanced the staffing on the job. We have eight inspectors working full-time from our 8(a) firm. So we are as intensively managing this particular project as we possibly can.

I think we are doing, in my estimation, as much as we possibly can to prosecute the work.

Senator MOYNIHAN. This is very pleasing to hear. We almost had a scandal on our hands, and we caught it in time, at least. I will just put a note in the record that your remarks will conclude the hearing that we held in Jamaica on this subject.

If you could arrange for us to get sort of quarterly report, perhaps, nothing that has to pass over your desk—you have enough paper—but just to see how this June 1988 deadline is going. We will fix that as something is going to be done, the community can know.

Mr. GOLDEN. That would be wonderful.

Senator MOYNIHAN. If you could see that comes to us, we would appreciate it.

That is very good of you. Mr. Golden, that was an extraordinary, cheering, managerial kind of report. You are doing an extraordi-

nary and important job, and we thank you. This committee is very pleased.

Mr. GOLDEN. Thank you very much.

Senator MOYNIHAN. Hang in there. It will be over one day.

I would like to ask the next two witnesses to come forward, if they would: the Honorable Donald Bouchard of the Department of State and the Honorable Michael Farren of the Department of Commerce. You represent clients in some sense or another. Gentlemen, we welcome you.

Mr. Bouchard, you are the first on our list, so we will hear from you first, sir. Do you want to put your testimony in the record and proceed exactly as you wish?

Mr. McPherson, we thank you for coming and thank you for staying.

Mr. MCPHERSON. Thank you, Mr. Chairman.

STATEMENT OF DONALD J. BOUCHARD, ASSISTANT SECRETARY FOR ADMINISTRATION, DEPARTMENT OF STATE

Mr. BOUCHARD. Thank you, Mr. Chairman. I would like to submit a more formal statement for the record.

I would also like to say at this time that Deputy Secretary Whitehead regrets that he cannot be here today. He had a prior commitment here on the Hill which he could not break, but he did want to be here.

Senator MOYNIHAN. We are very happy to have you.

Mr. BOUCHARD. Both he and the Secretary are very supportive of this project.

Senator MOYNIHAN. Secretary Shultz.

Mr. BOUCHARD. Yes, sir.

As a matter of fact, Mr. Chairman, we are very excited about the prospects of the cultural and trade center at this most important location in Washington. We view the center as a means of enhancing our foreign policy initiatives abroad as well as assisting in our role as a host government and in meeting our responsibilities under the Vienna Convention.

The International Cultural and Trade Center offers foreign missions and international organizations an exceptional opportunity to communicate with a large and diverse population with a significant group of public and private decision-makers. This opportunity will assist the Department of State in seeking reciprocity abroad to ensure that we receive similar opportunities from host countries.

The center would provide a secure environment for public access to certain chancery functions or foreign missions. With a mix of related federal office space, the center can provide a significant service to the American public and to U.S. business by making available at a central location a wide range of resources to promote U.S. trade and cultural activities.

The cultural and trade center is an innovative and creative initiative uniting our public and private sectors to assist the government to house key federal offices, to complete the Federal Triangle and to assist in the effective implementation of our foreign policy. Thank you, Mr. Chairman.

Senator MOYNIHAN. Thank you, sir.

I think, as is our practice with panels, we will hear from Mr. Farren next and then we will talk.

Sir?

STATEMENT OF MICHAEL FARREN, DEPUTY UNDERSECRETARY FOR INTERNATIONAL TRADE, DEPARTMENT OF COMMERCE

Mr. FARREN. Thank you, Mr. Chairman. I am pleased to be here today. I am representing not only the International Trade Administration but also the Department of Commerce as well.

Senator MOYNIHAN. Just hold a second so I can get this straight. You say the International Trade Administration?

Mr. FARREN. That is an agency, Mr. Chairman, within the Department of Commerce.

Senator MOYNIHAN. Yes, you are representing both.

Mr. FARREN. That is right, sir.

Although the Department does not intend to occupy space in the building, the location and facilities provided by the center should make a contribution to the Department's international trade, economics and tourism efforts. I would like to point out some of the principal benefits that we see coming from the center.

One, it would provide a one-stop service center for American businesses, providing comprehensive trade, tourism and finance information, which would enhance our ability to develop cooperative trade and tourism programs. As an example, potential exporters might be referred by the center's staff to ITA's export counselors for assistance, who, of course, would be immediately across the street from the center.

Office and exhibit space would contribute to the Department's efforts to promote trade and tourism by offering businesses and state and local government facilities adjacent to the Commerce Department with ready access to the Department's trade and tourism expertise.

Trade and cultural office and exhibit space provided to foreign governments would provide U.S. businesses with opportunities to market products and services.

Colocation of international trade, economic and diplomatic agencies would enhance our effectiveness and accessibility to visitors, particularly foreign visitors making use of the facility.

First-class meeting and conference space, conveniently located, would contribute to the efficiency and effectiveness of our interagency coordination and our international relations.

In addition to the many benefits offered by the proposed center, in the context of our programs, there are some specific interests that we would have as the center is planned and designed. We are hopeful that underground passageways will be available from the Metro station through the center and directly to the Department of Commerce. This would eliminate the need for Commerce employees to run the gauntlet of 14th Street as they come to work and make use of the center's facilities.

Senator MOYNIHAN. That is a nice point. There is no strain in that. That is all swampland, as you know.

Mr. FARREN. Finally, because the Department has relied on parking spaces in the current lot—right now, about 600 of our employ-

ees make use of the parking lot now located on the site—we are hopeful that planners will be careful in considering the parking needs of Commerce Department employees currently utilizing the parking facility now available.

In summary, we are looking forward to participating in the planning, looking forward to the opportunities that this innovative project offers to the Department of Commerce. We are extremely supportive of the center.

Thank you, Mr. Chairman.

Senator MOYNIHAN. Who has got the list of the proposed board?

Just to be specific here, the President will appoint this board. I cannot but assume the Department of Commerce and the Department of State will be on the board: six members appointed by the President, two by the mayor, nine members will be ex officio, the Secretary of State, Commerce, Agriculture, Special Trade Representative, Administrator of GSA, Director of the U.S. Information Agency, Chairman of Pennsylvania Development Corporation.

So this will be a matter of routine. The statute, if we get one and we obviously hope we will, put you there by definition. Something like a tunnel makes perfect sense.

Which of you has ever been in that Departmental Auditorium?

Mr. BOUCHARD. I have, Mr. Chairman.

Mr. FARREN. I have not, sir.

Senator MOYNIHAN. Here you are, senior officers of the government, and I suppose no occasion has brought you there. It is an extraordinary space.

Which members of the audience have been there?

[Show of hands.]

Senator MOYNIHAN. This whole combination of things just makes sense.

Would it be your thought, Mr. Secretary, that the passport offices would be located here?

Mr. BOUCHARD. Definitely, we would plan that and the visa office as well. Again, both of them are located outside the main building. One is on K Street currently and one is in Columbia Plaza. This is part of this great consolidation effort that Mr. Golden referred to, which we are very enthusiastic about in the Department of State.

Senator MOYNIHAN. You have just got to be. You could find your colleagues somewhere four corridors down and three stories up or down. You could get to somebody and you would not have to go out and get on a bus. All your offices would be consolidated into three locations.

From the point of view of the citizenry, when they are looking for a passport, they go to the State Department, right? And what do you tell them? You are in the wrong place.

Mr. BOUCHARD. You have to go to K Street.

Senator MOYNIHAN. Just what we have always heard about the State Department, which is not your fault in any way.

In terms of international trade, the Federal Triangle was in ways a little bit of a model of Andrew Mellon's notion of the Federal Government. There was a Treasury building, and then right next to it, the biggest building in the world up until then, was the Commerce Department and a very small appendage called the Labor Department. But the really magnificent building is the Post Office,

the Postmaster General, with the names carved on the side of the walls for all history to know, because the government delivered the mail. That was the thought of Andrew Mellon.

We have not had as good an opportunity around here in a long time.

Could I ask you on an issue that has always interested me: passports? Passports are something you have to have and visas are something you have to have. They are really very new things in the world, are they not? I wonder if I could ask you to have someone, Mr. Secretary, dig this up for me. I really would like to know it.

I am told that in 1914 the only two countries in the world that required passports for entry into the country were Czarist Russia and Bulgaria. I would be interested to know when was the first time the United States required a person arriving to have a passport.

Mr. BOUCHARD. Your knowledge of that is probably much better than mine, sir, but we will provide you that information. We can provide you a brief historical synopsis.

Senator MOYNIHAN. Somebody in the Department knows this.

Mr. BOUCHARD. The history of passports, if you will.

Senator MOYNIHAN. People used to just wander the world and nobody bothered them. And that is not of late. And how many countries require visas now to enter?

Mr. BOUCHARD. I do not know, sir.

Senator MOYNIHAN. Perhaps you could get that number or some approximation.

Mr. BOUCHARD. We can get that, yes, absolutely. Unfortunately, I am not prepared to answer that. I do not deal with that, but we can get that for you.

Senator MOYNIHAN. I would like to have that. Every country in the world requires a passport now, I think, and many require visas. We would like to have that.

Mr. BOUCHARD. We ourselves, I might point out, probably have stricter visa requirements than most countries for getting into this country, for obvious reasons.

Senator MOYNIHAN. I want to make clear that I am not suggesting that there were no passports previously. You could go to the Secretary of State and other departments and say, would you give me a passport, and you would get one. It would introduce you abroad and say who you are. But you did not have to have one to get into France.

I am going to have to leave to vote and I will be right back. We have your testimony, gentlemen, and we thank you very much. I am going to recess while I run and vote.

Mr. Brodie, can you hang about for a bit, and I will be right back.

[Recess.]

Senator MOYNIHAN. Mr. Brodie, we welcome you, sir. Mr. Stafford was talking earlier about the Inner Harbor in Baltimore. Let me tell you that your reputation proceeds you.

Mr. BRODIE. That is very kind of you. Thank you.

Senator MOYNIHAN. Why don't you put your statement in the record and tell us what you think of this idea.

STATEMENT OF JAY BRODIE, EXECUTIVE DIRECTOR, PENNSYLVANIA AVENUE DEVELOPMENT CORPORATION

Mr. BRODIE. We appreciate your inviting the Pennsylvania Avenue Development Corporation today. You have a statement for the record by Hank Berliner, rather Henry A. Berliner Jr., to be more formal, our chairman, who had to be called out of town or he would have joined me here today.

He asked me to convey both for himself and the board our total and enthusiastic support of this project. We really see it, having discussed it several times at board meetings, as a perfect complement to the work that we have been doing and that is ongoing and which you, better than anyone here, are intimately familiar.

We think the charge that you gave us some years ago, that the buildings on the Avenue should be lively, friendly and inviting as well as presidential, if I remember the phrase, should apply as well to this building which you see before you in early concept.

Even though it is early, we think, having studied it for some time and having been asked by the Federal City Council and others to pitch in on this effort, which we are delighted to do, we could not, to answer Senator Stafford's earlier point, do it by ourselves because we have several other things on our plate.

But we would be delighted and have offered to Mr. Golden, as we did in the Old Post Office on the retail section, to be a member of the team through a Cooperative Agreement, to put what we have learned in the "urban school of hard knocks" over the years to use in this project.

So we would be pleased to coooerate and participate in that way.

We would also like to call a few points to your attention about the building as it is conceived and the program; there are a number of benefits both for Pennsylvania Avenue and for downtown Washington. I will be quite brief but walk through those if I may.

Senator MOYNIHAN. Don't speed. I had to make you wait.

Mr. BRODIE. Not a bit, delighted to be here.

One is the mix. As you know, the Federal Triangle has been built, not perhaps as friendly, as inviting as it might be.

Senator MOYNIHAN. No. It set out to be very monolithic. There were some good beaux art designs, but there was not going to be anything there after 5:00.

Mr. BRODIE. Exactly. So that is both program and architecture. We think, conversely here, the program which would have, besides the government office, the retail and the exhibition space, will take us beyond 5:00 and really help us build on the already burgeoning pedestrian activity both on Pennsylvania Avenue and 14th Street.

We do see it as inviting, not just for the government office workers and the general public, the special public, the passport and the visa people that you talked about earlier, but also the tourists. As of the last count I have, there are 18 million annual tourists on the Mall. We are luring them gradually to the Willard, to Pershing Park, to The Shops and other attractions as we will on Market Square, where we hope to see you in the fall when we will be opening the Navy Memorial.

This could be another magnet attraction, we believe, with this mix that is shown here.

Another challenge, both a challenge and an opportunity for this site, is to make this very critical urban edge on Pennsylvania Avenue. This has really been the gap in the smile. What you see here, again early, is an attempt to really make that edge define what is an ambiguous space at Western Plaza and some other spaces which were simply never completed, while retaining the Strauss Fountain and the park here which we see as a very useful complement to Pershing Park which is completed and Market Square and the other parks along the Avenue.

So we think the proportion of open space to building is about right. And at the same time, we would see within the building, particularly in the Washington climate, a wonderful public room, good for all seasons, hot and cold, wet and dry, in which the public is truly invited to come in and participate. That is not simply a bare space with a few exhibits.

Senator MOYNIHAN. You mentioned something that is unmentionable: City Hall. It is the City Hall, a prettier, older City Hall, but is it your thought to leave it there?

Mr. BRODIE. It is and to be respectful toward it also, architecturally speaking. There is a renovation contract for it, by the way, as of recent date which will, among other things, remove the air conditioners from the windows and really do a first-class job of renovating it both inside and out.

Senator MOYNIHAN. Who knows about the city's view on this matter? We have a statement from the Mayor, do we not? The Mayor is sending one. Is anyone here from the city?

Mr. KENNETH SPARKS. Courtland Cox from the Mayor's office was here, Senator, and had to leave to attend to some visiting firemen who were here.

Senator MOYNIHAN. As far as we know, the city is very supportive of the project.

Mr. BRODIE. Then, from a use point of view, we think the International ambiance will really not hurt and not compete with but, rather, augment the good retail that is now in The Shops at National Place and the Old Post Office and would really help us get that critical mass of people who, as you know, are so necessary to support it.

Next, we think the process here, an RFP request for proposals and a professional selection process, the kind of process that PADC has run, we think, with success in the past, brings in a private developer and architect in a competitive mode. So it really is a public/private partnership and it is not the government specifying each doorknob and then going out to bid with 150 pages of working drawings and specifications.

We think getting the private sector in early is good for the creative mix, gives us all ideas that we never thought, gives us refinements. That is the way we would see to proceed.

In conclusion, we think the idea is a good one, the process is right and the timing, I must say, is perfect. And since you were kind enough to take me back to the Inner Harbor, one of the things we learned in Baltimore is to try to capture the wave while it is going with you. We think there really is a palpable momentum

on Pennsylvania Avenue now and, frankly, that this building will be the better for being built between now and 1992 rather than had it been built in the past with less going on around it.

Thank you, Mr. Chairman.

Senator MOYNIHAN. This will come very near to completing the work, will it not, considering what you now have in progress?

Mr. BRODIE. Yes. We are, as you know, proceeding east, with the Evening Star, Market Square and other projects. But this would really complete the whole west end of the Avenue.

Senator MOYNIHAN. You have just about got everything in place in your planning for the east, have you not? It is just about done, only took 26 years.

But you do not have to be told as an urban planner of great achievement and distinction that this is no business for the shortwinded.

Market Square is going to be all right? I was a little worried about it—but it is done—that you were going to try to take the format of the Federal Triangle across the Avenue to the north side. This clearly is designed to be harmonious with and basically an extension of the original design, and that is appropriate, I think, have the red roofs.

Mr. BRODIE. That is right. You are really in the midst of a fabric which is very distinctive and really should be respected both in proportion and form and texture.

Senator MOYNIHAN. It is doing something like that atrium that would not have been thought of in 1924.

I guess that makes it unanimous. This is really a very pleasing thing. Mr. Brodie, thank you very much. Thank you for what you are doing for the Pennsylvania Avenue Development Corporation. A person like you who has done all of this, without you we would just still be talking about it.

You might be interested to know that the proposal about Pennsylvania Avenue being lively, friendly and inviting was written as part of a report of the ad hoc committee on federal office space. What happened was—and the exact event was about May of 1961—the discussion in the Cabinet on foreign policy, the Kennedy new government, for months. There was some moment that it paused, and everyone turned to the next most important subject in government, which was office space, and everyone found that the Federal Government had stopped building in 1930, stopped everything. The Pentagon had produced a new building, but that really was it.

So rented space was everywhere and everyone was in 19 locations and they all wanted to get together. It was in the context of consolidating space that we thought we could make a case for doing something on Pennsylvania Avenue—otherwise it would not be utilitarian enough—which we never did.

But here now, indeed, we might. So if you just wait long enough, sometimes things come your way. Thank you very much, sir.

Mr. BRODIE. My pleasure.

Senator MOYNIHAN. Would you give our regards to Mr. Berliner. We fully understand that he was not here. His statement will be put in the record as read by you, his executive director.

Mr. BRODIE. I certainly shall. Thank you again.

Senator MOYNIHAN. We thank all of our guests.

We conclude this hearing with the expectation that we will move ahead with genuine dispatch. I like Mr. Brodie's notion in particular that there are tides in the lives of men which should be taken at their crest. Five years ago this might not have been a good idea. At this moment you are building on success, and let us hope we can do it.

Thank all of you for coming.

[Whereupon, at 12:10 p.m., the subcommittee adjourned.]

[Statements submitted for the record follow:]

STATEMENT BY THE FEDERAL CITY COUNCIL *

BEFORE THE SENATE SUBCOMMITTEE ON WATER RESOURCES,

TRANSPORTATION, AND INFRASTRUCTURE

ON THE PROPOSED INTERNATIONAL CULTURAL AND TRADE CENTER

May 1, 1987

Senator Moynihan, members of the Subcommittee -- the Federal City Council appreciates the opportunity to testify before you in support of legislation authorizing the development of a United States International Cultural and Trade Center (ICTC) on Pennsylvania Avenue.

For those of you who may not be familiar with the Federal City Council, the Council is a non profit, non partisan organization dedicated to the improvement of the Nation's Capital. Established in 1954, the Council is made up of, and financed by, 140 of Washington's business, professional, civic, and educational leaders. The Council serves as a catalyst focusing the creative and administrative talents of its members on issues of concern to the District of Columbia and the region.

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* Harry McPherson, President of the Federal City Council, is a Washington attorney and partner in the firm of Verner, Liipfert, Bernhard, McPherson & Hand. Donald A. Brown, Chairman of the Federal City Council's International Center Task Force, is an attorney and developer, and professor at the Harvard Business School. Mr. Brown is a partner with JBG Associates.

The development of a major internationally-oriented, mixed-use facility has been a goal of the Council since the late 1960's. The earliest studies undertaken by the Council and other groups focused on a number of downtown locations, including the site where the Washington Convention Center ultimately was developed. In 1982, the Council's Waterfront Task Force, chaired by Edwin Hoffman, recommended that consideration be given to a site in Southwest Washington overlooking Maine Avenue and the Washington Channel. Mayor Barry subsequently convened a task force of Federal and City officials and members of the Federal City Council that drew up plans for the Trade Center at that location.

While the Council believes that the ICTC could have been successfully realized at the Southwest site, following a thorough review of the proposed project, the decision was made in 1986 to pursue the project at a more centrally-located site. After analyzing a number of possibilities, a consensus was reached that the best location for the Trade Center would be the undeveloped Federally-owned parcel at Fourteenth and Pennsylvania Avenue, N.W., within the Federal Triangle.

The Council believes that the ICTC represents a very positive initiative in support of a number of important national and local objectives. First, by providing a one-stop center that offers comprehensive information on trade policy, financing, and

operations, the ICTC would promote American trade and commerce and, in particular, could be of significant value to American firms wishing to develop new export markets or expand existing ones. The presence on Pennsylvania Avenue of a major Federal facility devoted, in part, to furthering international trade also would have real symbolic value. It would affirm our recognition of the new global marketplace and would make a powerful statement -- that America intends to continue to play a leading role on the world economic scene.

Second, development of the ICTC would enable the General Services Administration to achieve two of its principal goals: moving out of costly leased space into government-owned space and consolidating some of the major Federal agencies whose operations presently are located within or adjacent to the Federal Triangle. Vacating costly leased space and the consolidations will result in real savings to the taxpayer, points that I believe Mr. Golden will elaborate upon in a moment.

Third, development of the Center would support our foreign policy objectives. The ICTC would enable the State Department to offer foreign governments prestigious accommodations on Pennsylvania Avenue and because of the reciprocity provisions of the Foreign Missions Act, the Department could use the Center as a tool with which to seek similar treatment for American diplomatic and cultural personnel in foreign capitals.

Fourth, development of the ICTC would complete the development of the Federal Triangle and the redevelopment of Pennsylvania Avenue, which has been a goal supported by every Administration since President Kennedy. In our opinion, the site at Fourteenth and Pennsylvania Avenue, N.W. is far and away the best location in Washington for the Trade Center and, as you will hear shortly, the proposed building program works extremely well at this site.

Finally, the Center would add an international ambience to the heart of the City, would provide a physical connection between the Mall and the revitalized office, retail, and theater district on the north side of Pennsylvania Avenue, and would become a major destination for the 18 million annual visitors to our Nation's Capital.

To date, only conceptual design work has been done in order to see how the proposed building program would work at the Federal Triangle site. The preliminary plans for the ICTC provide for approximately 2.2 million gross square feet of above-grade program space on 10 levels. There also would be at least 150,000 square feet of below-grade program space plus below-grade parking for between 1,300 and 2,500 automobiles.

The Center's major components include:

a. Federal government office space, totalling approximately 1.75 million gross square feet.

b. Foreign chancery office space that would total approximately 150,000 square feet. This space would allow for the consolidation of a number of foreign government offices, such as press offices, offices for educational and trade missions, that presently are scattered throughout downtown Washington.

c. A World Exposition Center, of approximately 370,000 square feet, which would house a permanent exhibit of the history and culture of many of the 140 accredited foreign governments and those of the 50 states that choose to participate. Temporary exhibit space would be provided to accommodate special exhibits that embassies frequently schedule to coincide with diplomatic visits. In addition, we hope that the existing Departmental Auditorium will be more fully utilized, and we would like to see new performing arts space provided in the Center that could be used by groups sponsored by foreign governments.

d. An International Bazaar, of approximately 75,000 square feet, which would include shops that we expect to be sponsored by foreign governments devoted to specialty goods, manufactured products, furnishings, and food.

The 2.2 million square feet of above-grade space works out to a Floor Area Ratio (FAR) of roughly 5, which is half of the typical commercial FAR on Pennsylvania Avenue. It is slightly above the 3.5 FAR for the rest of the Federal Triangle because the Trade Center would be a more efficient building. Because of the lower ceiling heights, it would include 10 floors above-grade versus the 7 floors of other Triangle buildings. The height of the proposed ICTC, however, would be the same as the rest of the Triangle -- 120 feet.

With respect to the exterior of the Trade Center, we believe it should be in keeping with the architectural character of the Federal Triangle. However, we believe that a great deal of flexibility should be given to the architect/developer team selected for the project with respect to the layout of the interior of the building and the choice of interior finishes. On the outside, the Council believes that the Trade Center should read as a building that is in harmony with its neighbors; on the inside, it should have the qualities, including openness, that we have come to associate with first-rate commercial buildings.

Mr. Chairman, the Federal City Council appreciates being given the opportunity to testify before the Subcommittee on an issue of such importance to the Nation's Capital and to the country.

STATEMENT BY THE ADMINISTRATOR, GENERAL SERVICES
BEFORE THE SENATE SUBCOMMITTEE ON WATER RESOURCES,
TRANSPORTATION, AND INFRASTRUCTURE
CONCERNING THE PROPOSED
INTERNATIONAL CULTURAL AND TRADE CENTER AT
THE FEDERAL TRIANGLE

May 1, 1987

Mr. Chairman:

I am pleased to be here today to present the views of the General Services Administration (GSA) concerning a proposal to create a public use building at the Federal Triangle on Pennsylvania Avenue in the Nation's capital to serve as office space and to house an international cultural and trade center.

We fully support this project as it will:

--provide quality, economical space for Federal employees;

--achieve cost avoidance of more than $200 million over a 30-year period;

--not have a negative impact upon the deficit in the short-term, as the cost of the project will be more than offset by the reductions in lease costs;

--consolidate Agencies that need to be located downtown;

--further efforts to reduce total Federal space requirements and improve efficiency;

--further U.S. trade, economic, and diplomatic interests;

--benefit American businesses and States; and

--promote international cultural exchanges.

The project is a mixed use development of approximately 2.2 million gross square feet of space above grade, a minimum of 150,000 square feet of below grade space, and parking. The largest component, approximately 1.8 million gross square feet of office space, would be used by Federal agencies, thereby enabling the Federal Government to vacate a substantial amount of costly leased space in the District of Columbia. Approximately 575,000 gross square feet would be devoted to an international cultural and trade center. The balance of the space will be for parking beneath the building.

Most important, the project represents a sensible approach to meeting Federal requirements for office space. Under the proposal, there will be no initial capital expenditure and resultant impact upon the deficit. Rather, the Federal Government will incur leasing expenditures for the facility over a 30-year period and obtain title at the end of that period.

All of our preliminary analyses indicate that the Government will avoid more than $200 million in cost on a 30-year present value basis. This assessment takes into account imputed values for land, taxes, and insurance. If revenues from the International Cultural and Trade Center exceed cost, such revenues will be used to offset GSA's 30-year lease payment.

A second major reason to support this project is that it will further our efforts to consolidate Federal agencies. Agency consolidation is a major goal of the Administration and will

result in significant savings in travel, communications, and administration, as well as improve management effectiveness. We have made major strides in this area recently, and are consolidating the Nuclear Regulatory Commission; components of the Department of Commerce, including the National Oceanic and Atmospheric Administration and the Bureau of the Census; the Department of Justice; and the Department of State.

For this facility, by 1993, the Justice Department will relocate from all or part of 11 leased buildings and portions of three Government-owned buildings. This includes portions of Justice's litigating divisions, the Justice Management Division, and several other smaller components. Treasury's Customs Service would relocate from Government-owned space in the Federal Triangle to permit renovation projects. The State Department's Passport Office and Visa Office will relocate from two leased locations to the International Cultural and Trade Center. Through these actions we will reduce the amount of leased space by approximately one million square feet.

By 1996, Justice will relocate from five additional leased locations to space in the proposed ICTC building and return to newly renovated space in the main Justice building. Customs will return to a renovated Customs Building, and the Securities and Exchange Commission will relocate from leased space to the ICTC.

This project also will assist the Agency in renovating several major buildings, including the Ariel Rios Building, Main Justice, and the Interstate Commerce Commission Building.

With the completion of the ICTC and several other efforts in the National Capital Region, we will have achieved consolidations of all major agencies in the National Capital Region.

This project will further the Administration's goals for assisting trade promotion and cultural exchange. The international cultural and trade center portion of the project will be a resource to the United States for the promotion of international trade and cultural exchange. It will provide American business and state and municipal governments an opportunity to obtain trade information, sponsor commercial and trade exhibitions, and market their products and services with foreign governments and businesses. The Center will provide foreign governments permanent trade and cultural exhibit space, and create an additional tool for the United States to apply diplomatic reciprocity. The Center will be a valuable resource for visitors to the Nation's Capital, helping to foster a better understanding of international trade and culture. Finally, the Center will provide foreign missions an opportunity to centralize public access functions in a secure environment.

This project will be designed so that the space devoted to international trade and cultural activities can be converted to office space if necessary. Given that the Federal Government is

leasing a large percentage (approximately 49%) of its space requirements in the National Capital Region, a long-term requirement for owned space exists.

The project will be a noteworthy and necessary component of the revitalization of Pennsylvania Avenue. Presently, the Federal Triangle parking lot remains the only undeveloped piece of property on the south side of the Avenue. As a result of the support from every Administration over the last two decades, Pennsylvania Avenue is becoming one of the finest examples of the effectiveness of public-private partnership in the renewal of American cities.

This project is consistent with GSA's strategy to meet space needs through ownership where economical. We believe that the following financial factors should be weighed in considering Federal Government ownership of its space:

(a) Debt Service Costs -- When incurring capital expenditures related to the acquisition or construction of Federal facilities, the Federal Government finances its debt service costs at the Treasury bill rate. The rates represent the pre-tax interest paid by Treasury when borrowing from the public. In contrast, when the Federal Government is leasing a facility, its rental payment frequently reflects the interest rate available to private developers constructing speculative office space. Rental rates not only reflect this risk premium, but also recognize the requirement for some form of credit enhancement required by commercial lenders. Typically, this credit enhancement is derived through letters of credit or recourse financing, reflecting the financial viability and condition of the developer. The cost of providing any credit enhancement is included in the rent charged to tenants.

For this project, we estimate that on the strength of the Government's long-term lease commitment, the project will obtain financing rates that are only slightly higher than Treasury's long-term instruments.

(b) Equity Buildup -- Buildings are appreciating assets. Ownership takes advantage of this appreciation, while leasing offers no comparable benefit. The appreciation results from general inflation as well as upward pressure on real estate values. In this instance, we estimate the reversion value of the facility after 30 years to be in excess of $65 million on a discounted basis.

(c) Developer's Profit -- When leasing, the Federal Government's rent payments include a profit to the developer. When the Federal Government owns a facility, the developer's profit is avoided. In this instance, GSA will lease the facility at cost, and there is no profit involved.

(d) Tax Expenditures -- By owning, the Federal Government avoids the costs associated with the significant tax advantages available to a private developer. They include depreciation over a 30-year period and certain tax credits available for particular properties. In this instance there will be no tax expenditure associated with this facility.

(e) Land Costs -- Several of GSA's recent projects involving the development of facilities have occurred on Government owned land or land donated by municipalities or other entities. Since the land is provided at no cost, the cost of the total project is significantly cheaper than under those projects where privately owned land must be acquired at its fair market value. In this instance the Federal Government owns the site, valued in excess of $60 million.

(f) Marketing and Promotion Costs -- Although marketing and promotion costs vary by project, they typically are as much as 5-6% of total development costs for a major commercial office building. Rental charges reflect these costs. However, they will not exist for the Federal office space portion of the project, because GSA will guarantee occupancy of the space for the 30-year lease to ownership period.

(g) Property Taxes -- State and local property taxes are typically one percent of the value of the asset per annum. When the Federal Government leases, its rent payments reflect the owner's obligation to pay these taxes. However, under ownership and for this facility, there is not a requirement to pay state and local property taxes.

The proposed legislation attached to your letter inviting testimony on this project establishes a Corporation that will have responsibilities for the development and construction of a Federal building on the site of the Great Plaza on the south side of Pennsylvania Avenue. To carry out its responsibilities for the facility, the Corporation will have the authority to borrow money by issuing marketable, taxable obligations. The Corporation also will maintain and operate the international cultural and trade center portion of the building.

The powers and management of the Corporation will be vested in a Board of Directors consisting of 17 members, as follows: (a) six will be appointed by the President, (b) two will be appointed by the Mayor of the District of Columbia, and (c) nine will hold position by virtue of their office, including the Secretaries of State, Commerce, and Agriculture; the Special Trade Representative; the Administrator of General Services; the Director of United States Information Agency; the Chairman of the Pennsylvania Avenue Development Corporation; a representative from the White House; and the Mayor of the District of Columbia.

The Corporation will be required to lease the building and land to the General Services Administration at a cost not to

exceed the amount necessary to amortize and to retire the cost of development. In turn, the Corporation will lease back, from GSA, space to operate the international cultural and trade center. The space to be leased back shall not exceed 500,000 occupiable square feet and shall be the higher of cost or fair market value. At the end of the 30-year period, title to the facility and land will revert to the Federal Government. If requested by the Corporation, the Administrator will continue to lease up to 500,000 square feet of space to the Corporation for the international cultural and trade center at market rates.

In summary, the General Services Administration fully supports the proposed project and looks forward to working with the Congress in enacting legislation that will authorize the building of this facility.

That concludes my statement. I am available to answer any questions that the Subcommittee may have.

TESTIMONY OF MR. DONALD J. BOUCHARD

ASSISTANT SECRETARY OF STATE FOR ADMINISTRATION

BEFORE THE

SENATE SUBCOMMITTEE ON WATER RESOURCES,

TRANSPORTATION AND INFRASTRUCTURE

MAY 1, 1987

Mr. Chairman:

I am pleased to come before the Subcommittee today to testify in support of the International Cultural and Trade Center planned for the Federal Triangle. This is an exciting proposal that offers numerous opportunities to foreign missions and international organizations in Washington, and which furthers our foreign policy objectives.

This project is important to the Department of State and the other foreign affairs agencies in a number of ways. The Center will provide opportunities for U.S. trade promotion and will provide a venue that does not presently exist. The project offers a positive tool for the application of diplomatic reciprocity overseas. We can provide trade and cultural opportunities to governments that make the same promotional opportunities available to the U.S. abroad. The Center will provide a more secure environment for chancery public offices and functions as well as a much more convenient location for the public. To enhance the foreign policy objectives of the project, the foreign affairs agencies will look for mission-oriented federal office space within the Center.

Since the passage of the Foreign Missions Act of 1982, the Department of State has played a much more active role in the management of the activities and site locations of embassies in Washington. We see the Cultural and Trade Center as a means to promote effective exchanges overseas. While the Foreign Missions Act gave us the authority to prevent property transactions by foreign missions, this proposal will allow us to make space available to governments that provide us with similar opportunities. In this case, we can provide positive reinforcement to governments that agree with our open trading philosophy.

We feel that the project will draw significant attention from the diplomatic community, given the limited availability of suitable exhibit space in the District of Columbia. The Center is proposed for one of the premier locations in the city, offering ready access to millions of visitors, federal decision makers and a host of foreign dignitaries. There are few areas in which foreign missions can promote their cultures through the performing arts and can have access to such a diverse population. Performing artists that come to the city for short periods or who do not have the commercial appeal to demand the major performing houses such as the Kennedy Center often are at a loss to find the proper stage. This stage can be made available by the International Cultural and Trade Center.

We recognize that the Cultural and Trade Center portion of the project is highly complex, and we are charting new ground in this cooperative effort to achieve a dynamic, functioning exhibition center that furthers U.S. policy interests. To gauge the international interest in the project, we have made some preliminary inquiries to the Diplomatic Corps and canvassed the international organizations in Washington. The response was enthusiastic; while the governments could not commit to a theoretical project at the time, certainly the need for such a facility was indicated. Missions see the prestige of locating exhibits on Pennsylvania Avenue as a bonus.

It will be extremely important to bring together the correct mix of international uses to the Center. To the extent GSA can make space available for foreign affairs agencies, the entire concept will be enhanced. The idea of the Center is to create a policy information network that will allow agencies to work more closely together and to provide a clearinghouse for U.S. business to obtain trade and cultural information. The Center will also be a natural environment for many international activities and conferences. The Department of State is frequently asked to provide meeting facilities for a host of governmental and private activities. We often cannot assist with the meetings, given their nature or because our facilities are in use.

We expect that the Center will be a natural magnet for visiting heads of state and other dignitaries when they come to Washington. There are limited places for these visiting officials to express the purpose of their visit to the U.S public. Certain official functions should certainly be considered for the site. While many such functions are held at the White House or the Diplomatic Reception Rooms at the State Department, there clearly is a need for further facilities to handle the myriad of official visitors and the diverse public and private functions associated with these visits.

Security is a major concern for us, and we have initiated a major security enhancement program abroad. Likewise, embassies in Washington are looking for ways to improve their security. Many of the functions now performed at a Chancery require the embassy to open the building to the general public. When one seeks a visa or if an embassy handles local student affairs, the building must be opened. Many governments have citizen assistance programs and provide commercial information to U.S. citizens on import/export policies. The Center can provide a central location with readily available mass transit and cost effective public access controls.

In sum, the Department of State believes that the proposed International Cultural and Trade Center has much to offer as a tool to assist the effective implementation of U.S. foreign policy.

STATEMENT BY HENRY A. BERLINER, JR., CHAIRMAN OF THE BOARD OF DIRECTORS OF THE PENNSYLVANIA AVENUE DEVELOPMENT CORPORATION (PADC), BEFORE THE SENATE SUBCOMMITTEE ON WATER RESOURCES, TRANSPORTATION, AND INFRASTRUCTURE CONCERNING THE PROPOSED INTERNATIONAL CULTURAL AND TRADE CENTER AT THE FEDERAL TRIANGLE

MAY 1, 1987

Mr. Chairman:

We are here today to respond to your invitation to the Corporation to testify concerning the proposal to create a public use building at the Federal Triangle site on Pennsylvania Avenue to house a mixed-use development of approximately 2.2 million gross square feet above grade with office space and an international cultural and trade center.

As Chairman of the Board of Directors of PADC, I am pleased to state our full support for this innovative project and have asked Jay Brodie, our Executive Director, to submit this statement and respond to any questions.

Since 1972, when PADC was established, we have been working to revitalize the Avenue that has symbolized "the majesty and power of the American Republic and the triumphs and tragedies of the American people." With the strong support of the Congress, and particularly

you, Mr. Chairman, great progress has been made. Through a variety of public-private partnerships, a creative investment of public funds and energy has already produced $1.3 billion of private investment. The Willard Intercontinental Hotel and office-retail development, the mixed-use National Place complex (directly across Western Plaza from the Federal Triangle site) with The Shops and the J. W. Marriott Hotel, the National Press Club Building renovation, Cadillac-Fairview's recently completed project at 1001 Pennsylvania Avenue, the total rejuvenation of the private office building at Pennsylvania Avenue and 13th Street, the just-begun rehabilitation and addition to the Evening Star Building at 11th Street and numerous other completed, under-construction and planned projects are vivid testimony to the success of this partnership.

But the parking lot on the south side of 14th Street and Pennsylvania Avenue is like the missing tooth in a beautiful smile. We have hoped that this unfinished site may now be appropriately developed to complement our adjacent blocks. Our previous concern with the preservation of the Old Post Office lead us to offer our services as a consultant to the General Services Administration, helping to produce the lively retail facility now incorporated there.

Early in my tenure as Chairman, I contacted several Federal agencies, including the Department of Justice and the Department of the Treasury, to ascertain their interest in the Federal Triangle site. In addition, we have had a series of very constructive meetings with Mr.

Golden, Administrator of General Services, his staff and members of the Federal City Council, discussing our mutual interest in seeing this vast parking lot developed to it's full potential. We have offered to assist this project through a Cooperative Agreement that would utilize PADC's experience in the management of the complex planning and development process. If Congress and the General Service Administration desire it, we are prepared to proceed immediately.

Our enthusiasm for the proposed concept is that it responds to the challenges and opportunities of this unique site on the following points:

1) It retains and improves the Strauss Fountain park area complementing the open spaces PADC designed at Pershing Park and Western Plaza;

2) Its mix of uses, including retail and exhibition space, adds to pedestrian activity along Pennsylvania Avenue and along 14th Street, helping tc link the Mall and its 18,000,000 annual visitors to the revitalized core of Washington's downtown;

3) It is people-oriented, inviting to the general public as well as to the office worker;

4) It is of a scale and architectural style to fit appropriately within the composition of the Federal Triangle, responding to its proportions, forms and textures;

5) It completes presently ill-defined, left-over spaces helping to make the necessary urban "edge" along Pennsylvania Avenue;

6) It will bring a special international ambiance to augment the retail activity at The Shops and The Old Post Office; and

7) It allows for office consolidation to provide more efficient and effective space for the functioning of the Federal government.

Obviously, the architectural design, its implementation and the management of the project must and will be of the highest quality.

We believe that the concept is right, the timing is appropriate, and we look forward to working with the Congress and all concerned in producing a facility of the excellence that this prestigious site deserves.

United States Information Agency

USIA

APR 27 1987

Dear Mr. Chairman:

In the absence of Director Wick on official business, I am replying to your letter of April 20, 1987, inviting this Agency to submit written testimony on legislation to authorize development of a United States International Cultural and Trade Center in Washington, D.C.

While we welcome the opportunity offered by the subcommittee, it is the judgment of this Agency that we would have nothing to add to your deliberations on this issue. USIA, as you well know, is primarily concerned with explaining America's policy and culture to overseas audiences, an effort which is undertaken primarily "in the field".

With kind regards.

Sincerely,

Marvin

Marvin L. Stone
Acting Director

The Honorable
Daniel P. Moynihan
Chairman
Subcommittee on Water Resources,
Infrastructure and Transportation
United States Senate

THE DISTRICT OF COLUMBIA
WASHINGTON, D.C. 20004

MARION BARRY, JR.
MAYOR

May 5, 1987

The Honorable Daniel Patrick Moynihan
Chairman
Subcommittee on Water Resources,
Transportation and Infrastructure
Committee on Environment and Public Works
United States Senate
Washington, D.C. 20510

Dear Senator Moynihan:

I am pleased to take this opportunity to express my strong support of the proposed United States International Cultural and Trade Center to be located at the Federal Triangle, on Pennsylvania Avenue, in the District of Columbia. The Trade Center would:

- Create an opportunity for the Federal government to consolidate in the District many Federal agencies now located in leased office space in the Washington metropolitan area.

- Allow many of the commercial activities of foreign missions to be centralized.

- Provide further office and exhibit space for the fifty states and the District of Columbia which would greatly enhance their efforts in the arena of international trade.

- Complete the Pennsylvania Avenue Renaissance.

- Provide a tremendous attraction for the 18 million tourists who visit the Nation's Capital annually.

During the past four years, I have been pleased to play a role in formulating plans for the USICTC. In 1982, I chaired a task foce comprised of public officials from both the Federal and District governments. The task force received a grant from the U.S. Department of Commerce to develop a number of studies which proved the feasibility of such a project. While the feasibility studies for the ICTC were developed for a site in Southwest Washington, I believe the proposed location on Federal Triangle is more appropriate.

As a firm advocate of the Federal government policy of first looking to the Nation's Capital to fulfill its office space requirements, I am excited by the proposed ICTC because it offers possibilities for U.S. government agencies to utilize office space in the District. The possibilities and agency configurations could be approached in several ways.

One option would be to consolidate "service to the public" elements of international activities. These include consular activities, Passport Offices, the Immigration and Naturalization Service, and the U.S. Travel and Tourism Administration.

Another alternative could be relocating critical elements of trade in the ICTC. One could consider the Foreign Commercial Service, International Trade Administration, Office of International Economic Policy, and the Office of Trade Development from the U.S. Department of Commerce; and, the ICTC could house the Foreign Agriculture Service and the International Cooperation and Development Office of the U.S. Department of Agriculture. Other possibilities include the International Trade Commission, the Peace Corps, and AID.

The proposed USICTC would also create a prestigious environment for foreign diplomatic missions. A survey conducted by the task force, found that 252,300 square feet of leased office space is used by foreign missions. Additionally, at least twenty-four missions in the Nation's Capital have plans to expand by 1988. Thus, the Center represents a viable expansion option.

The creation of a critical mass of commercial and cultural offices at the Center would be of great benefit to the international trade activities of all fifty states, the District of Columbia and major cities who are spending millions of dollars to reach out to the world to develop international markets for their goods and services, and to encourage private foreign investments.

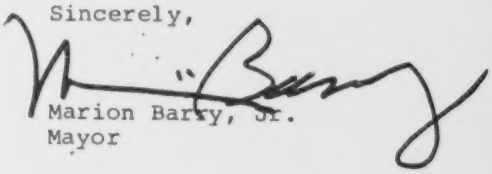
Many states have marketing offices in Europe, the Far East and Latin America. The ICTC has the potential to bring the world to the District so that the state of Mississippi can be in constant contact with Madgascar, and the city of Birmingham can be in contact with Belgium. The Center would provide fertile ground for commercial deals.

The ICTC would be an invaluable resource for American businesses, especially the small and medium-sized firms because the facility could provide comprehensive information regarding trade policy, finance, and operations through a one-stop service center.

Finally, I support the ICTC because it adds to the dramatic beauty of the nation's main street. As you know, the proposed site of the ICTC is next door to the District Building. Therefore, the construction of the center is of great importance to me. I am excited by the proposed design which promises that "the Center will be in keeping with the monumental character of buildings in the Federal Triangle with their neo-classical facades, colonnaded arcades, and richly ornamented stonework." "The interior, according to the architects, will appear open and bright, with lightwells and a central atrium providing ample natural lighting." The Center will complete the Federal Triangle and the redevelopment of the south side of Pennsylvania Avenue.

In conclusion, I fully support the proposed legislation that would authorize the building of the ICTC. I also pledge the full support of my administration in the construction of the Center should the proposed legislation become law.

Sincerely,



Marion Barry, Jr.
Mayor

Washington, D.C., April 30, 1987

EMBASSY OF SWEDEN
THE AMBASSADOR

The Honorable
Daniel P. Moynihan
United States Senator
464 SROB
Washington, D.C. 20510

Dear Senator Moynihan,

I wish to thank you for your letter of April 27, 1987 regarding the hearing on May 1 in your Subcommittee concerning proposed Federal triangle legislation to construct a Federal office building and trade and Cultural center on Pennsylvania Avenue.

I have been informed through the Department of State regarding the proposed project and have also had the opportunity to discuss the matter with representatives of the Diplomatic Corps. I think, therefore, that the following observations reflect the views of the diplomatic community.

The diplomatic community was fully briefed on the Cultural and Trade Center when it was first proposed for the location in Southwest Washington overlooking Maine Avenue and the waterfront. The State Department and the Federal City Council hosted a number of briefings to apprise the diplomatic community of the project. There was a great deal of support for the concept of the Center, as well as expressions of interest in occupying space within it. In my view, the new location on Pennsylvania Avenue can only improve the project.

600 NEW HAMPSHIRE AVENUE, NW, SUITE 1200, WASHINGTON, D.C. 20037 TEL (202) 944-5600

The Center is also appealing from a practical point of view. Currently, there are a number of chancery annexes located in commercial office buildings throughout downtown Washington. The Center would provide a means of consolidating many of these offices, making them more accessible to the American public. Also, foreign governments would certainly want to make use of some of the planned exhibition and performing arts space.

Finally, while Washington has always been the locus of diplomatic activity, it clearly is becoming more important in international commerce. I believe that the development of an International Cultural and Trade Center would acknowledge in a tangible way the increasingly international character of this community.

I want to thank you for affording me the opportunity to share with you my views on this important project.

Sincerley,

W Wachtmeister

THE COMMISSION OF FINE ARTS

ESTABLISHED BY CONGRESS MAY 17, 1910

J. CARTER BROWN, Chairman

CAROLYN J. DEAVER
ROY M. GOODMAN
FREDERICK F. HART
NEIL H. PORTERFIELD
PASCAL RICAN
DIANE WOLF

CHARLES H. ATHERTON, Secretary

708 JACKSON PLACE, N.W.
WASHINGTON, D.C. 20006
202-566-1066

May 6, 1987

Dear Mr. Hadsell:

The Commission of Fine Arts was happy to meet with you and representatives of the Federal City Council on 16 April 1987 to discuss concept plans to complete sections of the Federal Triangle and to construct an International Trade Center in the Great Plaza. The unfinished ends of several of the Triangle buildings and the parking lot in the Great Plaza have been eyesores since the Triangle was built, and we applaud the effort to correct these conditions. However, members of the Commission have several concerns about the project, and I would like briefly to outline these for you as follows:

- Density. There is perhaps too much building mass for the site. The space programmed for offices and other uses for the trade center appears to be excessive and unresponsive to the need for some breathing room in this area of the triangle as originally planned.

- Design. The new construction should be in the same vocabulary as the rest of the Triangle, and extreme care should be exercised in ensuring a completely harmonious design.

- Fine and Decorative Arts. The new federal triangle construction should continue the tradition of art works integrated into the architectural plan. An average of three percent of construction costs was spent on such works as decorative embellishments, sculpture, interior and exterior ornament, etc. On the Archives alone, the figure was almost seven percent.

Finally, we recognize the proposal is conceptual in form at this very early stage, and we are delighted that the General Services Administration is committed to a competition in order to secure the best possible design.

Sincerely,

J. Carter Brown
Chairman

Mr. Richard M. Hadsell, Regional Administrator
General Services Administration
17th and D Streets, N. W., Room 7022
Washington, D. C. 20407